



The RPI guide to

PAYMENTS

2023 and beyond



Welcome to Payments, the city whose landmarks change with every visit, where new monuments are built on top of those that came before, and where the local culture changes constantly.

In Payments, the future comes quickly and the present doesn't last. Most guidebooks would show you the destination as it is, but if this one did that it would be out of date by publication. Instead, it presents Payments as it will be. Some architecture doesn't exist yet, and some attractions are still being built, but here's what you can expect to see in Payments next year and beyond.

**1.
Currency
and Banking**

PAGE
03

**2.
Pay by
Bank**

PAGE
04

**3.
Wearables**

PAGE
05

**4.
Transforming
payments**

PAGE
06

1

Currency and Banking

For many, neither money nor banks exist physically anymore. Both are digital, as bank branches steadily close, fewer shops take cash, and even fewer people carry it.

At the same time, while traditionally physical institutions become digital products, some online brands are investing in a physical presence. Deliveroo HOP is a click and collect store on New Oxford Street, sharing the branding of the takeaway platform's grocery delivery service.

Amazon Go (or Amazon Fresh in the UK) is Amazon's venture into physical locations, which it calls **'just walk out' shopping** – customers enter a turnstile by scanning their Amazon app, take the items they want to buy, and walk out of the store. Sensors can tell what the customer has 'bought' and charges their Amazon account.

If Amazon's experiment continues to prove successful, the implications for payments are enormous. You have the prospect of:

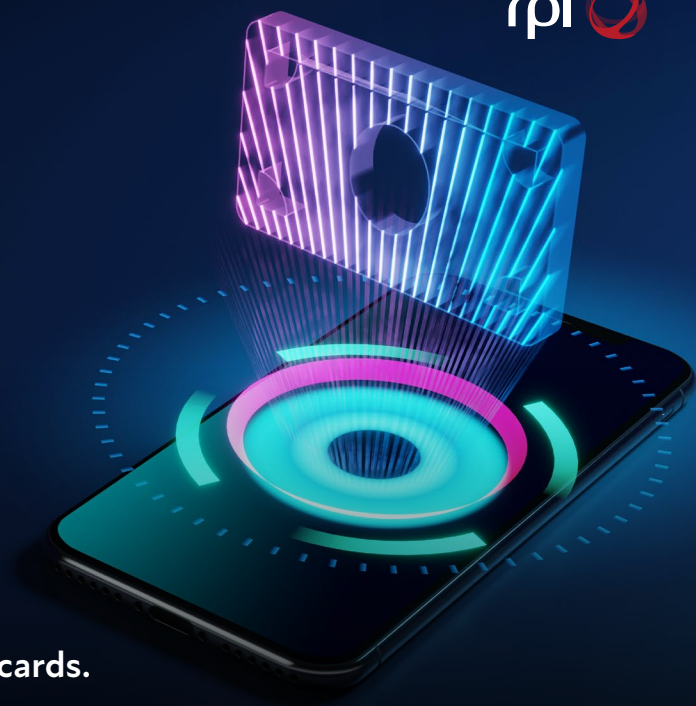
- ✓ Huge reductions in staffing costs
- ✓ Huge increase in floor space
- ✓ Greater turnover as the lack of queues means more transactions per hour
- ✓ Ironically for a shop in which people walk out without 'paying', a total reduction in theft
- ✓ Instant data on stock levels

That concept has started to extend beyond grocery too. **Payment providers are also exploring the possibilities of what can be a payment terminal.** One hypothesis is that a shopper could take a self-driving car to a mall, the car could park itself and pay for the parking, and also pay for whatever items the owner brought back from the shopping trip.

2

Pay by bank

Not only is cash on the way out – so are cards.



The new culture in Payments started by moving cards onto mobile phones and smartwatches, where the physical card wasn't involved, but the debit or credit card was still the method of payment. Now, it's cutting out that step with Pay By Bank.

Pay By Bank is an app-based payment method that **allows a vendor to take payment directly from the customer's bank account**. The obvious advantage for the seller is speed – the money arrives instantly, so they don't have to wait for a card payment to clear to receive the funds. There's also the appeal of a 0.45% transaction fee, which is clearly more attractive than a 1.4% debit card fee.

For the customer, there's extra security on offer without the inconvenience of multifactor authentication. PSD2 introduced new standards for payment and identity verification, which have meant more friction at the checkout. Pay by bank satisfies those standards with an initial two-step verification, without requiring extra steps with every transaction.

PAY BY BANK

Customer decides to buy > Vendor verifies details > Vendor receives funds

CARD PAYMENT

Customer decides to buy > Enters card details > Vendor verifies details > Payment processes > Vendor waits > Vendor receives funds

3

Wearables

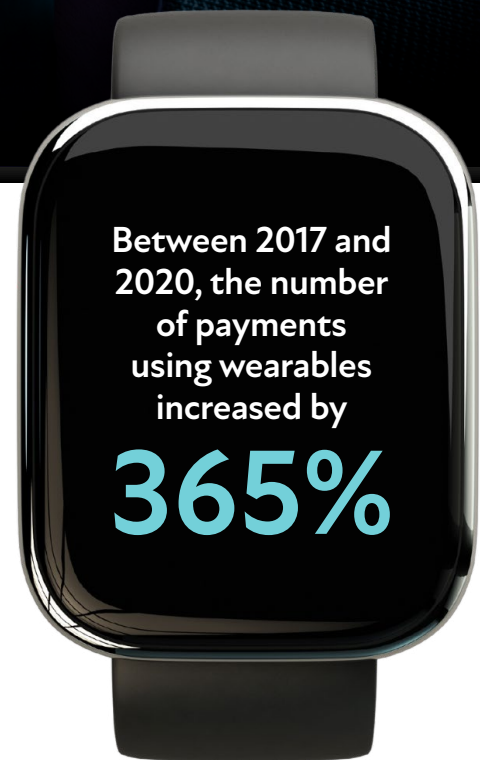
If the future of Payments involves removing steps from the process, then wearables are only going to increase in popularity.

Payment through smart devices, especially smart watches, became more common as contactless payment became more widely accepted. Between 2019 and 2020, **contactless payment transactions increased by 150% in the US. In 2019, only around half of retailers accepted the method - now 81% intend to.**

Between 2017 and 2020, the number of payments using wearables **increased by 365%**. Convenient as wearables are, people aren't going to buy a smartwatch for several hundred pounds just to have a new payment method, so wearables payment can only grow as much as the general wearables market. Then again, not every owner of (e.g.) a smartwatch will be using it for payments, so there will likely always be plenty of room to grow.

Not having to take out a debit card or even unlock a phone to make a payment once again means convenience for the customer (**73%** say that's why they use it) and more turnover for vendors.

The challenges for competing payment solutions will be less in convincing shoppers and vendors to use contactless, and more about differentiating their solutions from competitors'. On the surface, the experience can't be radically different. If payment with wearables is as simple as holding the device by a payment terminal, how many ways are there to offer a better version of that?



Transforming payments

Now, as you've already seen in Payments, if you're just keeping up, you're actually falling behind. The only way to be current is to stay ahead, and that takes a suite of skills that aren't common.

- When the number of steps in payment is limited, then so are the opportunities to improve or differentiate the experience. To excite shoppers about one system over another takes extraordinary creativity and UX insight.
- On the topic of UX, new developments have to be technically possible, commercially viable, and user-friendly. That triangle is not easy to draw, and people who can are few and far between.
- Since there can be some hesitancy, the more radical or different the new offering, the more marketing skill is needed to sell it. It's not just a matter of communication, though. Messaging will only work effectively if those delivering them truly understand the technology and its implications.

RPI's team have deep roots in Payments – we find the leaders, technicians, and communicators that drive change in the market, and we place them in businesses like yours.

Get in touch today and you can not only keep ahead of the trends in Payments, but you can create them.

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